



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

**SUBJECT: TRANSIENT OCCUPANCY TAX
FROM SHORT-TERM RENTALS**

DATE: May 17, 2019

Approved

Date

5-17-19

BACKGROUND

This memorandum provides additional information requested by Councilmember Peralez during the May 8, 2019 City Council Budget Study Session regarding the Transient Occupancy Tax (TOT) revenue generated by Airbnb, Inc. ("Airbnb").

ANALYSIS

In January 2015, the City and Airbnb entered into a Voluntary Collection Agreement (VCA) in order to facilitate the reporting, collection, and remittance of applicable TOT imposed by Chapter 4.72 and Chapter 4.74 of the City of San José Municipal Code. Pursuant to the agreement, Hosts and Guests grant Airbnb authority to register, report, collect, and remit the applicable TOT resulting from booking transactions completed on Airbnb's platform for occupancy of accommodations located in the City. Through this VCA, Airbnb assumes liability for any failure to report, collect, and/or remit the proper amount of TOT with respect to booking transactions covered by the agreement.

From July 2018 through March 2019, Airbnb remitted approximately \$2.0 million of applicable TOT to the City. This amount represents 5.5% of total TOT revenues reported to the City over the same period. Below are the approximate TOT revenues remitted by Airbnb by fiscal year:

Airbnb Transient Occupancy Tax ¹ (Actual Remittance)				
FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 (YTD)
\$240,000	\$930,000	\$1,400,000	\$2,000,000	\$2,000,000

The Finance Department has included Airbnb in the lodging taxes audit work plan for FY 19-20.

¹ The Convention Center Facilities District ("CCFD") Tax and Hotel Business Improvement District ("HBID") Fee are not applicable to short-term rentals through platforms like Airbnb because they have not formally been annexed into the CCFD or meet the minimum room requirements of the HBID.

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COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

/s/

Julia H. Cooper

Director of Finance

For questions, please contact Rick Bruneau, Deputy Director of Finance, at (408) 535-8310.